A paradoxical convergence: French economists and the policy towards cartels from the 1870s to the eve of the Great Depression

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Abstract

Just like in other industrial countries, cartelization was widespread in France after the 1870 decade. Cartels, and the public policy towards them, were frequently addressed in the public debate. This article deals with the stance taken by French economists on this subject until the Great Depression. Although they were divided in several groups that were in sharp disagreement on most scientific and policy issues, French economists were almost united in their lack of support for anti-cartel policy. The liberal economists' opposition stemmed from their general hostility to government intervention. Unlike in the English-speaking world, where many economists otherwise critical of government gradually became supportive of antitrust after mounting evidence had revealed the scope of certain kinds of exclusionary behavior, the French liberal economists remained constant in their opposition. The more reform-minded university professors, as well as the sociologists-economists of the Durkheimian school, were unenthusiastic about policies meant to safeguard competition because they viewed 'excessive' market competition as destabilizing and wasteful. Finally, the most prominent experts in industrial economics, who were employed by large companies or professional organizations, also advocated a hand-off approach, in accordance with their employers' preferences.

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The development of cartels in industrial countries from the last quarter of the nineteenth century to the Great Depression put them at the forefront of the public debate, involving economists, lawyers, politicians, businessmen and the public opinion. However, the form and the contents of these debates varied a lot across countries. This paper analyzes economists' contributions to this debate in France and contrasts them with those of their British and American peers.

When assessing French economists' views on cartels and government regulation of competition between second half of the nineteenth century and the Great Depression, one cannot but be struck by a paradox. On the one hand, the field of economics was highly fractured, with different 'schools' of economists agreeing on next to nothing on most economic policy issues - such as free trade versus protectionism, labor laws, taxation, the role of the government in the economy -, on the methods and goals of economics and on its relation to other social sciences. On the other hand, even though economists' statements about the merits of competition in principle were far from uniform, in practice hardly any economist advocated government policies aimed at prohibiting competition-restricting conduct by private firms. Moreover, this skepticism or even outright hostility towards any such policy did not diminish between the late nineteenth century and the 1920s.

This stands in sharp contrast to both the United Kingdom and the United States. In the United States, the enforcement of the Sherman Act, even if initially timid, gradually exposed the sophisticated strategies used by certain large firms to cement their dominance. This newly available information caused several prominent economists to revisit their earlier skepticism and embrace a more interventionist approach in the 1910s. Likewise, in the United Kingdom where the dominant view had long been that free trade provided sufficient protection against abuse by domestic cartels, mounting evidence to the contrary led Alfred Marshall and his disciples to consider cartels worthy of close public scrutiny.

In France just like elsewhere, academic economists were far from being the only or even the main participants in these debates, which also involved business representatives, union leaders, politicians of all stripes, scholars in other fields (in particular law, and the nascent field of sociology), civil servants and judges. Studying economists' roles in these debates thus requires one to take into account, beyond their ideas, the status of economists within and outside of academia, and their relationship to other participants to these debates, including foreign economists. This is all the more true that throughout the period we are considering, economics in France was not fully established as a separate, well-identified field of scientific inquiry – much less than in the US or the UK. Law professors, specialized journalists or experts working for trade associations – with some overlap between these groups – who participated in the debates about the regulation of market competition were also on occasion considered economists, were appointed by the government as economic experts, and published articles in the same journals as economics professors.[1]

The evolution of French policy on cartels

Throughout the nineteenth century and up until World War II, the legal treatment of cartels was based on Article 419 of the Napoleonic Penal Code of 1810, which prohibited "coalitions" of sellers "that tend not to sell, or to sell only at a certain price". This prohibition dated back to the Revolution: the Le Chapelier law (1791) had abolished guilds and stated that "citizens of the same trade or profession […] may not, when assembled, […] draft regulations concerning their alleged common interests" nor "make agreements among themselves designed to set prices for their industry or their labor."[2,3] The articles in the Penal Code reflecting the part of this prohibition applicable to labor were removed in the second half of the nineteenth century as governments gradually authorized workers' unions, but Article 419 remained in place, unchanged till 1926.

Beyond the question of economic competition, this prohibition reflected one of the main political principles underlying the Revolution, namely, the replacement of the old social organization based on specific groups that had different privileges and obligations (such as the three Ancien Régime orders, certain cities or neighborhoods, regional

[1] On the sociology of the economics profession in France and the changes it underwent since the nineteenth century, in a comparative perspective, see Fourcade (2001, 2010).
[2] This translation is by Stewart (1951: 165-166).
[3] In 1774, Turgot, whom Louis XVI had appointed *Contrôleur général des finances* upon his accession to the throne in 1774, had enacted a law abolishing guilds. But faced with strong resistance, the king had replaced Turgot with Necker, who reestablished guilds, albeit in a modified, supposedly more rational form (see Kaplan, 2001).

parliaments, or guilds) with one based on a unified community of equal citizens, with no intermediate groups. On a more down-to-earth level, the prohibition of agreements between sellers of the same product was initially meant to target 'hoarders' of commodities, and primarily grain hoarders. It addressed the long-standing fear that their speculations could aggravate shortages and in some cases cause social and political unrest.

Cartels at the turn of the century

Over the course of the nineteenth century, the concern over hoarding gradually made way for preoccupations about industrial concentration, reflecting the rising share of industry in the French economy.[4] Cartel agreements became widespread after the start of the 1873 depression. Most of them took the form of common sales agencies, referred to as *comptoirs*. Their main role was to allocate customers' orders to their members in order to stifle competition and stabilize prices. These comptoirs covered most of the metallurgical industry from pig iron (the 'Comptoir de Longwy', created in 1876) to welded steel tubes (1890), axles (1892), steel beams (1896), sheet and plate steel (1895), coach springs (1896), semifinished bar steels (1897), iron ore (1897), and seamless steel tubes (1910). Likewise, cartels were formed in the sugar, paper, coal, petroleum, textile (cotton spinning in particular) and chemical industries (see, e.g., Freedeman, 1988 and the references therein).

Even though the details of these cartels varied, they all had the same end goal: limiting competition between their members in order to maintain high enough prices by means of mechanisms such as price fixing, production quotas, or a centralized allocation of customer orders to cartel members. Some cartels devised sophisticated mechanisms to ensure that their functioning would not be disrupted by a member's attempt to increase its sales, such as imposing penalties on firms that exceeded their quota or having all cartel members own shares in any member's new plants.[5] Likewise, some cartels devised coordinated responses to the threat of external competition, such as jointly acquiring non-cartel firms and then shutting them down (in some cases destroying their

[4] Hoarding cases did not completely disappear, however. As late as the end of the 1880s, a case about copper hoarding made headlines (Freedeman, 1988).
[5] Morsel's 1976 study of the chlorates cartel describes such clauses in detail.

machines)[6] or engaging in temporary predatory pricing to bankrupt entrants and deter further entry.[7]

<u>Monopolies and cartels between public outrage and judicial leniency</u>

Just like in other industrial countries, monopolies and cartels often aroused strong opposition. One of the earliest examples is the Compagnie des Mines de la Loire, which after of a series of mergers had become a local coal monopoly in Saint-Etienne and its region in the late 1840s. The high prices it charged caused widespread protests from domestic and professional consumers. It was also accused of keeping miners' wages at artificially low levels. These protests were strong enough to lead Emperor Napoleon III to force the Compagnie des Mines de la Loire to dissolve and split into four distinct companies in 1854. Proudhon (1865: 405-408) referred to this episode as an illustration of his "antinomy of competition".

Starting in the 1890s, cartels' misdeeds were regularly denounced in the Chamber of deputies, mostly by left-wing (socialist) and center left (Parti radical) representatives who claimed to relay the general public's anger at cartel-induced high prices. The maritime freight cartel was discussed in Parliament in 1895 and 1901;[8] in 1899 the minister of commerce, addressing the Chamber, mentioned that disgruntled customers had pointed out to him cartels in the alcohol, sugar and metal industries;[9] and in 1901 a long debate took place about two cartels that had caused a major uproar and given rise to legal proceedings – the sugar refining and pig iron cartels.[10]

At the same time however, judges became more lenient. A series of rulings between 1894 and 1902 set a new standard based on the distinction between "good" and "bad" cartels: good cartels, which only aimed to stabilize prices at levels compatible with the

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[6] Mastin's 2011 study of the Roubaix wool combing cartel that functioned between 1881 and 1914 describes such aggressive measures targeting competitors.
[7] Whereas most studies of pre-1914 cartels find that their main effect was to reduce volumes and increase prices rather than to increase productive efficiency, some economic historians have pointed to exceptions to this characterization. See, e.g., Gillet 1973. In some cases, agreements on prices required some product standardization, which could increase efficiency. In some others a common organization for exports could reduce commercial costs.
[8] Chamber of deputies, sessions of 14 June 1895 and 18 January 1901.
[9] Chamber of deputies, session of 23 November 1899.
[10] Chamber of deputies, sessions of 15 and 22 March 1901.

"natural operation of supply and demand" rather than to set them at "excessive" levels, were now found not to violate Article 419.[11] The most highly publicized of these proceedings were those on the pig iron cartel, known as the *Cartel de Longwy*, which ended with two permissive rulings in 1902.

Two main factors contributed to this evolution. One of them was the general loosening of the restrictions on the creation of associations of all kinds, and in particular worker unions. This loosening started in 1864 when the Second Empire entered a more liberal phase, and was furthered at the start of the Third Republic, with the 1881 law on associations. The more lenient treatment of cartels – usually referred to as *ententes* (agreements) - also reflected a widely held view that unbridled competition was undesirable as it would lead to instability, large price swings, periodic unemployment, and in some cases a chain of bankruptcies ending in consolidation and monopoly.

The arguments raised in defence of the French cartels around 1900

According to cartel apologists, "pacifying" and stabilizing markets was beneficial to all, even if it led to slightly higher prices. In particular, cartels were defended on the same grounds as protectionist tariffs had been a few years earlier: they were considered necessary to the survival of many independent medium-size companies, in line with a specifically French economic ideal that reflected the national character: individualism, a strong democratic spirit and a distaste for gigantic organizations. Just like tariffs purportedly protected small agricultural and industrial producers from the violence and chaos of foreign competition triggered by the permanent threat of overproduction (even though, in the words of Jaurès, powerful and wealthy landowners were "hiding behind small peasants" when lobbying for protection),[12] cartels were meant to protect small and medium-sized firms from domestic cut-throat competition.[13]

[11] These rulings include those on cartels between tile producers in the Grenoble area, lime producers in the South-West, pig iron producers in the Lorraine, and book sellers (Freedeman, 1988).
[12] Jaurès made that claim in a parliamentary debate on agricultural tariffs in 1887.
[13] Some protectionists, while in principle favorable to cartels, were concerned that combined effect of tariffs and cartels would be too much for the general public to accept and warned that abuses by cartels might trigger a popular movement against protectionism. See for instance Jules Domergue's intervention in the debate on cartels organized by the Société d'économie politique nationale on 21 January 1903 (*Bulletin mensuel de la Société d'économie politique nationale*, 1903: 12-13).

The partisans of *ententes* often stressed how different they were from German cartels (or rather, Kartells, as they often spelled them to highlight their teutonic essence) or American trusts.[14] One of the most vocal was Jules Méline, the former Prime Minister whose name was associated with the protectionist tariffs of the 1890s. As a lawyer, Méline represented the Cartel de Longwy in legal proceedings. Beyond courts, he relentlessly presented arguments in favor of French cartels to the general public, in the Bulletin of the *Société d'économie politique nationale* of which he was honorary president, and which had been created in 1897 to support protectionism. According to him, the French *ententes* were an emanation of France's "prudent and moderate" character,[15] in contrast to American trusts, which were denounced as gigantic and oppressive across the political spectrum, [16] and to a lesser extent to German cartels.

The partisans of French cartels around 1900 rarely claimed that they fostered economic efficiency. They rather stressed that the main goal of these agreements was modest, that is, to prevent prices from falling to unreasonably low ("debased") levels and to avoid overproduction, considered the main evil afflicting industry, while allowing each firm to retain a maximal degree of autonomy.[17] According to Paul de Rousiers, a lifelong apologist for cartels (see hereafter), French cartels were to be commended for leaving their members "independent from an industrial viewpoint (…) whereas an [American] trust may be strengthened by a fortunate discovery, thanks to industrial concentration that makes all members of the trust gain from it" (De Rousiers, 1901). Following a similar logic, French cartels were favorably compared to German ones by Jules Domergue (a close associate of Jules Méline) because they did not use the proceeds from high domestic prices to encourage low-price exports: "practiced in that way, a cartel is an absurd enterprise (…). The correct model for future organizations is in Longwy, not in Germany". [18]

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[14] However, for the sake of readability, this article will use the word *cartel* unless it addresses the (actual or purported) differences between French *ententes* and cartels in other countries.
[15] See Jules Méline's preface to Laur 1903.
[16] On the widespread perception of the United States as a frightening "empire of trusts", see chapter 8 of Roger 2002.
[17] See the verbatim of discussions on cartels organized by the Société d'économie politique nationale (*Bulletin mensuel de la Société d'économie politique nationale*, 1901, 1902, 1903).
[18] This sentence is an excerpt from Domergue's intervention in one of the discussions of the Société d'économie politique nationale (*Bulletin mensuel de la Société d'économie politique nationale*, 1901).

This is in contrast with the partisans of American trusts, who appealed to more than just the virtues of price stabilization. They often argued that trusts, almost like full-fledged mergers, allowed firms to pool their technology, rationalize production, and achieve economies of scale. Likewise, the partisans of German cartels praised the rationalization of efforts to penetrate foreign markets. In France, such arguments were rare and the defence of cartels relied on an almost inverse characterization: for the most part, they were depicted around 1900 as an alternative to the kind of concentration and centralized decision-making that was supposed to justify them to the general public in the United States and in Germany. Likewise, protective tariffs were commended as a defence against the "excesses" of American or German trusts – that is, their low export prices that threatened French producers.[19] Except for a few exceptions, the apologists for cartels paid only lip service to the idea that they fostered economic efficiency or consumers' interests, by making vague claims that in the long-run, stability delivered better outcomes for all.

The renewal of the debates on cartels after World War I

The lenient court rulings of the first few years of the century somewhat clarified the applicable rules and the topic of cartels became less prevalent in the public debate until World War I.[20] However, the war changed this, for two reasons. First, as the war caused the standards of living to fall and "solidarity" in sacrifices to become a cardinal value, profiteering was perceived as intolerable. Accordingly, several local cartels that had affected the price of basic consumer goods, especially foodstuffs, were pursued (Paxton 1977).

The resumption of judicial activity was also caused by the perceived need to rein in the excesses that had been fostered by wartime government policy on industry. Just like in other belligerent countries, the government had encouraged close cooperation within key industries, especially those deemed essential to the war effort. In many industries,

[19] See for instance *Bulletin mensuel de la Société d'économie politique nationale* (1901: 216) and Méline's preface to Laur 1903.
[20] In all the periodicals studied during the preparatory work for this article, one observes that the frequency of articles on cartels peaks between 1897 and 1903, and decreases afterwards, before increasing again in the 1920s.

the largest firms had formed “consortia” that coordinated the allocation of scarce raw materials and manpower, production and sales, in order to efficiently supply war-related products. These consortia, which in certain industries were the formal continuation of an earlier informal cartel, were in some cases accused of profiteering through unjustifiably high prices. The most emblematic case was that of the calcium carbide consortium, whose members were targeted in 1915 by a complaint that was the starting point of a yearlong, highly publicized procedure (Paxton, 1977).

These proceedings belied the pre-war view that Article 419 was a relic of pre-industrial times that increasingly permissive court rulings had rendered obsolete. This made a clarification necessary, even though there was no consensus on what this clarification should be.

The tenor of the public debate was different from that of 1900: rather than market stabilization, industrial modernization was now the end goal, especially in view of the need to keep the ever-present German threat at bay. There also was broad agreement that this modernization would require large-scale cooperation, or even mergers, between companies. Views diverged however on whether, how and by whom such cooperation should be controlled. The main worker union, the CGT, demanded some kind of worker control over industry-wide conglomerates. Left and center-left politicians like Albert Thomas (the wartime Minister of Armament) and Etienne Clementel (the wartime Minister of commerce) demanded some government oversight over the creation and operation of industrial agreements. In contrast, Louis Loucheur, the former businessman who had succeeded Albert Thomas at the Ministry of Armament in 1917, concurred with business leaders who asked for government intervention to stop now that the war was over (Kuisel 1981).

The parliamentary debates on the reform of the old Article 419 lasted from 1922 to 1926 (see Paxton 1977, Freedeman 1988, and Chatriot 2008). Public sensitivity to high prices caused by the return of inflation from 1923 onwards made it politically inexpedient to explicitly remove the ban on agreements between competitors. Instead, according to the law that was enacted in 1926, Article 419 was, from now on, applicable only to “coalitions leading to prices that would not be the natural result of the operation of supply and demand". These unspectacular words were in fact meant to authorize cartels provided their impact on prices was moderate: the minister of commerce speaking in the Senate in favor of the draft law on November 19, 1926 explained that it would legalize "agreements that only aim to sustain a normal balance between production and consumption and market stability while preventing overproduction crises" (*Journal Officiel de la République française, Débats parlementaires*, 1926:1654).

Even though business leaders had claimed that the prohibition of cartels should be relaxed in order to allow for efficiency-enhancing cooperation, in practice nothing in the 1926 law reflected such a concern since the new condition for cartels to be legal was their "moderation", not their potential contribution to productive efficiency – in line with what the partisans of cartels had lobbied for since the 19th century, and with the prewar lenient case law.

The overall assessment by later economic historians is that for the most part, the many cartels that flourished under the auspices of the 1926 law (in industries such as metallurgy, coal, chemicals, cement, shipbuilding, wool, cotton, silk) had little to do with productive efficiency, and that they rather slowed down modernization by allowing less efficient firms to survive and by dampening incentives to cut costs or increase quality (Hirsch and Sauvy 1984). [21]

'Liberal', pro-market economists: pro-competition, against government intervention

At the end of the nineteenth century, economics in France was still an emerging and fragmented field, consisting of several groups that agreed on very little in terms of methodology or policy (Fourcade 2001, 2010, and Le Van-Lemesle 2004).

We start our inquiry with the group that was dominant till the end of the nineteenth century. The *libéraux*, sometimes merely called *les économistes* in public discourse, formed the oldest and most cohesive network. Since the middle of the century, its most

[21] Some monographs on specific industries tend to qualify Hirsch and Sauvy's 1984 conclusion that cartels were only "Malthusian". According to Omnès 1980, the combination of mergers and cartels in the steel tubes industry contributed to its modernization.

illustrious members had occupied prestigious positions in the Grandes écoles and, after its founding (1871), at the Ecole Libre des Sciences Politiques. Their main purpose was political rather than scientific: in the journals they had founded (in particular the *Journal des Économistes* and *L'Économiste Français*) as well as in other influential, more generalist periodicals and in their books, *libéraux* authors such as Paul Leroy-Beaulieu, Léon Say or Yves Guyot extolled the "eternal truths" discovered by the early classical economists to oppose both protectionism and any government intervention that could be labelled as socialist, from income taxation to minimum wages or mandatory social insurance.

Many of these *libéraux* held powerful positions in politics and business – mostly in sectors that favored free trade, such as banking. The context of their writings was an ever-present fear of socialism, which had been revived by the 1848 revolution and the 1871 *Commune*; and the very real dominance of protectionists in policymaking, especially after 1890.

Their political goals could lead them to distance themselves from classical authors: for instance, they opposed Ricardo's theory of rent because they disliked its relatively egalitarian policy implications such as John Stuart Mill's idea of a taxation of the "unearned increment" or Henry George's land tax. Later on, most liberal economists rejected mathematical economics, both because of their lack of even basic mathematical training and because they disliked some of the policy views voiced by the most prominent mathematical economists, from Léon Walras's self-proclaimed socialism to Alfred Marshall's partial embrace of the progressive tax policies enacted in Lloyd George's *People's budget* in 1910.

Since the beginning of the nineteenth century, and with remarkably little evolution till the 1930s, French liberal economists devoted much energy to extolling the virtues of market competition and warning against the dangers of government interference. For instance, one of Yves Guyot's many anti-socialist pamphlets was entitled *The Morality of Competition* (Guyot 1896). At the end of the nineteenth century, invoking the abstract virtues of competition and laissez-faire against social reformers had for decades been a trope of conservative discourse - including in writings by businessmen or politicians whose professed love of competition did not prevent them from advocating protectionism (see, for instance, Thiers 1848:290).

In line with their absolute hostility to government intervention in the economy, French liberal economists advocated a hands-off approach to cartels. This stance was identical to that of most business leaders, to whom several of the major liberal economists had close ties: even though some companies occasionally complained against a cartel that increased the price of the inputs they needed,[22] business leaders were more united on the question of cartels than on trade policy and the majority of the regional chambers of commerce lobbied for the abolition of Article 419.

Save for a few exceptions, the *libéraux* did not see any tension between their appreciation of competition and their distrust of government intervention, and they emphatically denied that government intervention could be required to protect market competition. As Joseph Garnier (1859) emphatically asked: "What is natural and free competition […] without the right to enter agreements?"

As cartels became widespread and started to trigger complaints, this appeal to the mere principle of absolute economic freedom was complemented with statements on the innocuousness of cartels and the lack of any justification for government or judicial oversight. Article after article made the same point: cartel abuses could happen only as a result of state intervention, such as tariffs that shielded domestic cartels from foreign competitors, or legal monopolies operated by the government.

With impressive regularity, the *Journal des économistes* and *L'Economiste français* thus published articles on the inefficiency and misdeeds of the government-operated match monopoly (*monopole des allumettes*), with little change from the 1880s to the 1920s, while stressing that absent government support, cartels could not cause harm because they induced reactions on both the supply side (with the entry of non-cartel

[22] For instance, Algerian chambers of commerce protested against the maritime shipping cartel that hindered their exports to metropolitan France, and railway companies protested against the cartel in the rail supply industry (Caron 1988).

competitors) and the demand side (with substitution to other products) that made them largely ineffective.

These arguments were always formulated as general, obvious truths, with only superficial reference to empirical observation. They were also remarkably constant over time. Consider for instance Paul Leroy-Beaulieu, one of the most prominent *libéraux*: in 1900, in an article in which he advocated the abolition of Article 419, precisely at the time when courts were investigating several high-profile court cases involving clear evidence of cartel-induced price increases, he wrote that "one should not take tragically all these trusts that people try to paint as scary" because "in a free market, the law of substitution" is enough to prevent abuses (*Journal des économistes*, 1900; 41(1):119 and 127). [23] He repeated exactly the same argument in the 1914 edition of his economics treatise, claiming, with reference to a few past cartels (zinc, coffee, oil, copper) and to his personal experience in business that coalitions are bound to fail and could not durably raise prices (Leroy-Beaulieu 1914, 1:660). He also showed extreme reluctance to concede a role for the government in industries that English-speaking classical or neo-classical economists had recognized as exceptions warranting either price regulation or direct administration by the government – explicitly criticizing John Stuart Mill's statement that competition in postal services was inefficient and even unworkable, and ignoring J. B. Clark's and Alfred Marshall's nuanced views of railways.

To sum up, from the 1880s to the 1920s, the main message conveyed by French liberal economists regarding cartels was reassuring, and above all hostile to any government regulation of competition – even though their journals occasionally made room for contrarian views.[24] This hostility was a matter of principle - for instance an anonymous contributor to *L'Economiste français* criticized an Austrian draft law meant to submit cartels to administrative oversight by likening it to communist fantasies of absolute statism (*L'Economiste français*, 1901: 533-535). Liberal economists often described the

[23] These statements were made during a discussion of the Société d'économie politique on 5 January 1900. In the same discussion, another liberal economist, Arthur Raffalovich, stated that in protectionist countries such as France or Germany, cartels could have adverse effects. But this observation did not deter him from opposing anti-cartel legislation (both the French Article 419 and the American Sherman Act). He had made a similar point in 1889.

[24] See, e.g., Georges Villain's appraisal of the Cartel de Longwy at the meeting of the Société d'économie politique on 5 March 1900 (*L'Economiste français*, 1900: 842-843). Another liberal economist who wrote in favor of stricter enforcement of anti-cartel laws was Edmond Villey.

full legalization of cartels as an obvious logical necessity, in view of the freedom of association that had been granted to worker unions in 1884 (see, e.g., Nouvions 1918).

Even Clément Colson, who, as a mathematical economist was more exposed to the influence of contemporaneous British and American economists and had an atypical profile within the group of French liberal economists, held a constantly lenient view of cartels and warned against any policy aiming to control or restrict them.[25] In the 1927 edition of his *Cours d'économie politique*, he wrote that "special repressive measures [...] are neither necessary nor efficient" (Colson 1927:265) and that cartels were mostly harmless because they could not raise prices durably unless they deterred entry, and entry deterrence was too costly to be credible.[26] This was exactly the same stance as the one he had expressed more than twenty years earlier (*Journal des économistes*, 1904, 3(1):103-113). In the 1933 edition of his *Cours*, he would argue against international cartels, but only to the extent that they fostered government intervention that tried to control them (Colson 1933, 7:76-79). Just like him, Yves Guyot (1927), who by then was a kind of patriarch of the old French liberal economic school, and the author of the abovementioned *Morality of Competition*, approved the demand by one of the main business confederations (the Union des industries minières) for a full abolition of Article 419, even though the 1926 law had made it practically toothless a few months earlier.

This unchanging and absolute hostility to any legal restrictions on cartels contrasts with the views expressed by contemporaneous neoclassical British and American economists. It is well known that after widespread skepticism regarding the Sherman Act (1890), American economists gradually warmed to antitrust policy. Several analyses of the main American economic journals have documented this evolution, which can be illustrated by a comparison of the 1901 and 1912 editions of John Bates Clark's *Control of Trusts*.[27] Whereas the 1901 edition dismissed the fears of abuse of market power, arguing that such abuses would necessarily trigger entry, the 1912 edition recognized that a trust could resort to certain exclusionary tactics (in particular, selective price-cutting) to deter entry

[25] On Colson and his position at the intersection between two separate groups of French economists, the mathematically trained engineer-economists and the liberal networks, see Le Van – Lemesle (2005) and Picory (1989).
[26] He had made the same point in the 1903 edition of his *Cours d'économie politique*, as well as in *Organisme économique et désordre social* ([1912] 1918).
[27] The 1912 edition was co-authored with J. B. Clark's son John Maurice.

and charge excessive prices durably. The causes for this gradual shift have long been discussed (Stigler 1982, Scherer 1989, Mayhew 1998) but one of them stands out: in the course of the legal proceedings that resulted from the application of the Sherman Act, much hitherto hidden information became public, revealing the brutal, sophisticated and often effective exclusionary strategies used by dominant firms or trusts to deter entry or evict smaller, less financially solid competitors. This body of evidence belied the reassuring view that potential entry was sufficient to keep trusts in check and caused many economists to change their mind.

Even though the context in the UK was different – with a total free-trade régime, less industrial concentration and less cartelization – the evolution was similar, at least as regards the (dominant) neoclassical school. Alfred Marshall's stance on trusts, cartels and economic concentration shifted from an almost total lack of concern in 1890[28] to a more nuanced view decades later. In *Industry and trade* (Marshall 1919), he warned that cooperation, even when justified by actual efficiency gains, was always likely to lead to 'militant restrictive monopoly'. He also noted that free trade did not always suffice to prevent cartel abuses in all cases. Just like Clark at about the same time, he warned against exclusionary practices that cartels or monopolies could use to deter entry, such as discriminatory pricing, especially in the form of local price-cutting or exclusive dealing. This explains why, while expressing a somewhat agnostic view of the nature of the desirable government scrutiny, Marshall criticized the suppression in 1921 of the short-lived Standing Committee on Trusts, which in his view could have been a valuable source of information.

French liberal economists' unwavering hostility to any policy restricting cartel activity cannot be explained by differential access to information, since detailed references to the British and American debates were ubiquitous in articles, books and parliamentary debates after the passage of the Sherman Act – including in many of their own writings.

Nor can a different economic situation explain French economists' lack of concern. On the contrary, the combination of protectionism (unlike in Britain) and a smaller

[28] In *Some Aspects of Competition*, Marshall (1890:624) dismissed concerns over trusts' ability to exploit consumers by resorting to the general claim that high prices "tempt those on the inside to break faith and those on the outside to start rival works".

domestic market than in the United States was likely to magnify the adverse effect of cartels. In fact, one may be surprised that French liberal economists, having claimed that free trade was the cure to the ills of cartels (Marshall's more nuanced postwar position notwithstanding) and observing that it was unlikely to prevail in the near future, did not advocate some kind of public restriction of cartel activity as a second-best policy.

This comparison confirms that the hostility to the repression of cartels displayed by most French liberal economists stemmed from two principles that overrode all the others: absolute distrust of government intervention and close alignment with business interests.

The "solidarist" university professors' lukewarm view of competition

The second main group is that of the university professors. After the teaching of economics had been made a compulsory part of law studies in 1877, several political economy chairs were created within law faculties. For the most part, they were filled by professors who did not share the *libéraux*' faith in the virtues of unregulated markets.[29]

The role assigned by the government to the holders of these new chairs was to promote views that fell within the consensus that characterized the first decades of the Third Republic, namely the defense of social and economic stability and lip service to cautiously progressive social policies.[30] These broad principles left room for vastly different views, from protectionist activism in conjunction with business associations to the promotion of labor-friendly regulations and progressive taxation. But in spite of some heterogeneity, most of the new economics professors shared a professed rejection of the laissez-faire dogmatism of their liberal colleagues. In contrast, they couched their writings in the discourse of *solidarisme*. This doctrine, which was dubbed the 'official philosophy of the Third Republic' (and was associated in particular with the Parti radical that was the backbone of most governments after 1900), stressed the value of cooperation as opposed to competition, and was invoked (by different people) to justify protectionist policies (reflecting the solidarity of urban consumers with farmers), some

[29] One of the few exceptions was Edmond Villey, who was also one of the very few *libéraux* who advocated a repressive policy towards cartels and criticized the weakening of Article 419 (Villey 1924).
[30] In the words in Le Van – Lemesle (2004:321), economics professors were expected to "produce consensus" ("produire du consensus").

social insurance, and the first steps into progressive taxation, in the name of an "implicit social contract" binding together the members of a society.

Accordingly, the treaties written by these professors were critical of competition if it was "excessive", "anarchic", "cut-throat". Consider for instance Paul Cauwès (1843-1917), one of the most prominent professors of economics at the turn of the century. He was heavily influenced by the German historical school and he was one of the founders in 1897 of the *Société d'économie politique nationale*, together with Jules Méline, the politician who as a member of parliament and then as Prime minister was the driving force behind tariff increases of the 1890s. As its name suggests, this association aimed to counter the influence of the older, liberal Société d'économie politique, chiefly on the question of trade policy.

Contrary to liberal economists, he described competition as an unstable state bound to end in monopoly and thus harmful to both consumers and workers. Accordingly, in his *Cours d'économie politique* (1893), while criticizing cartels that practiced "monopoly prices", he claimed that most of the time they had a positive impact because they reduced overproduction and stabilized prices (Cauwès 1893, vol. 2:147-149). Ten years later, after several cartels had created uproar in France, he again praised cartels' stabilizing influence. The only reason he disagreed with calls for a complete repeal of Article 419 of the Penal code was that in 1903, recent court decisions had voided it of its substance (*Bulletin de la Société d'économie politique nationale* 1903).

Cauwès's pro-cartel stance is coherent with his close association with business interests, especially visible through his proximity to Jules Méline, who, having resumed his activity as a lawyer after his time in government, represented the Longwy cartel. The same remark cannot be made about Charles Gide (1847-1932), who as the founder of the *Revue d'économie politique* and the author of the best-selling economics treatise in French (with 26 successive editions from 1884 to 1931), was for several decades the most prominent representative of the economics university professors. He was leaning politically to the left and was the main promoter in France of producer and consumer cooperatives, in the name of "cooperative socialism". However, his greater distance from business interests did not make him an advocate of anti-cartel policy any more than

Cauwès. A comparison of the many editions of his *Principes d'économie politique* shows an unchanging assessment of competition: while acknowledging its role as a stimulant, Gide mostly stressed the negative consequences of competition: its destabilizing effects on markets often end up in monopoly, it is wasteful, and it induces firms to degrade quality.[31]

A substantial discussion of cartels appears only in the post-1900 editions, in accordance with the growing importance of the subject in public debate. Gide's *Principes* mention the merits of American trusts in terms of productive efficiency as well as the likelihood of abuse, both by them and by the less integrated French cartels. But, true to his skepticism towards competition and to his preference for cooperative solutions, he states that the most promising solution lies not in the dismantling of cartels, but rather in the development of consumer cooperatives that could wield their buyer power against cartels, allowing society to benefit from the greater productive efficiency and stability cartels afforded without falling prey to their abusive tendencies.

His discussion of possible policies to protect competition is consistently skeptical, when he does not merely ignore them: the 1890 Sherman Antitrust Act is not mentioned until more than ten years after its enactment and its discussion mostly stresses how easily firms can circumvent it. The 1913 edition describes the abuses of Rockefeller's Standard Oil, but it fails to mention that the Sherman Act allowed a court to order its dismantling in 1911. Likewise, whereas earlier editions stressed that one of the many ways firms could circumvent the Sherman Act was by merging through acquisitions, the later editions fail to mention that the Clayton Act was enacted in 1914 to preclude this way out; and the 1926 edition does not even mention the contemporaneous debate in France about the reform of Article 419. All in all, the subject of the repression of cartels seems to have embarrassed this leading proponent of co-operative socialism, who could neither defend competition, to which he was ideologically averse, nor side with cartels whose abuses he acknowledged.

[31] This paragraph and the next ones are based on an analysis of the 1893, 1898, 1913 and 1926 editions of his *Principes* (respectively the 4th, 6th, 14th and 25th editions).

The specific case of the 'Durkheimian' sociologists-economists

The approach to competition by the founders of French sociology deserves a specific discussion, because of the influence of Emile Durkheim and his disciples in academia and in the larger public debate, but also in policymaking. Several of them, as well as their students (in particular at the Ecole Normale Supérieure) reached positions of power during and after World War I. In particular, Albert Thomas, as Minister of Armament in charge of organizing war production, had the two sociologists-economists Maurice Halbwachs and François Simiand work with him as advisors.

Durkheim was highly critical of economic competition. He doubted that chaotic competition could bring about a spontaneous order and that price adjustments could swiftly restore equilibrium on markets after a demand or a supply shock (Durkheim 1893). But his opposition went beyond the strictly economic question of how quickly competition could balance supply and demand: Durkheim's entire work is largely a critique of individualism, both as a scientific method (he and his disciples rejected methodological individualism in their scathing reviews of neoclassical economists' books, in almost every issue of *L'Année Sociologique*) and as a social reality. According to him, a society mostly ruled by economic competition was bound to suffer from *anomie*, that is, a lack of social order, of structure and of meaning. Accordingly, Durkheim advocated the "urgent" creation of professional associations. He hoped that a new kind of guilds, different from those than had existed before the Revolution, could bring about "cohesion" and "regularity" in a way that would pacify society (Durkheim 1902).

The views of Maurice Halbwachs and François Simiand (who, compared to Durkheim, devoted a much larger share of their work to economic subjects) reflect both this intellectual stance and their policy experience. During the war, they were in charge of organizing cooperation between private companies relevant to war production. They lamented the lingering anti-cartel legislation (Article 419) that threatened to restrict interfirm cooperation, in the same terms as the business leaders with whom these self-identified socialists had developed close working relationships.

During and after the war, Simiand and Halbwachs advocated the repeal of Article 419.[32] Even though their advocacy of some kind of government oversight over interfirm agreements was not shared by business leaders and liberal economists, this difference appears minor relative to their main point of agreement, that is, the need to remove the prohibition on such agreements. Simiand's economics course taught in 1930 illustrates this convergence quite strikingly. His assessment of the price effect of cartels is almost identical to business leaders' and (French) liberal economists': according to him, cartels cannot create much harm because any attempt to raise prices will face "competitors and limits" that will make "moderation" the only rational course of action (Simiand, 1932:572-613). Simiand's selective mention of American analyses of cartels and his misrepresentation of their findings also testifies to his pro-cartel bias: he quotes Jeremiah Jenks's *Trust Problem* but not Clark's and Marshall's later and more critical contributions. In addition, Simiand inaccurately claims that Jenks found the American sugar cartel to have had little effect on prices.[33] The dismissal of the finding that in some cases the main effect of cartels may be a price increase at the expense of consumers is all the more striking that Jenks did not derive from this conclusion a blanket condemnation of interfirm coordination. Rather, he acknowledged their possible efficiency merits and he proposed a criterion to distinguish efficiency-enhancing cartels from those that merely exploit their clients: "the actual effects of the industrial combination upon prices form certainly one of the best tests of their usefulness or disadvantage to society" (Jenks 1912: 131-132). That a left-leaning economist such as Simiand preferred to ignore altogether the risk of cartel abuses testifies to the strength of his rejection of competition.

The trajectory and action of economic historian Henri Hauser (1866-1946) is in many ways similar to that of the abovementioned sociologists-economists. He was an academic historian who, like Halbwachs, wrote on a very broad range of subjects (such as religious and diplomatic history), including contemporaneous industrial organization – which exemplifies the extent to which economics was not considered in France a

[32] Paxton (1977:280).

[33] According to Simiand (1932: 586-587), the data presented by Jenks on the American sugar cartel that operated after 1887 show that the cartel did not materially increase prices over a substantial period of time. This is at odds with Jenks's (1912: 144) summary of his analysis: "On the whole, the chart seems to make it perfectly evident that the sugar combination has raised the price of refined sugar beyond the rates in vogue during the period of active competition before the formation of the Sugar Trust and the two competitive periods during its existence."

separate, highly technical field of expertise. During the war, he was the closest advisor to Etienne Clementel, the *radical* (center left) Minister of Commerce, and as such he was involved, like Halbwachs and Simiand at the Ministry of Armament, in the coordination of war production. Just like them, he was sensitive to the efficiency merits of large-scale production and interfirm cooperation. However, his 1918 proposals for a reform of Article 419 go far beyond the promotion of agreements enhancing productive efficiency: under his proposed wording, interfirm agreements would have been illegal only if they had recourse to obviously fraudulent methods such as the dissemination of false information or the placement of fictitious orders in order to "momentarily cause the increase or decrease of prices" (Hauser 1918). Even though he also suggested that interfirm agreements should be registered as a condition for their clauses to be legally binding, one cannot but notice that this proposal amounted to authorize all cartels – including those that were only meant to raise prices or limit output, without any rationalization of production – which is close to the Durkheimians' proposals.

This lenient view of cartels by the leading French economists-sociologists of the Durkheimian school is in contrast with those expressed by the most influential British and German sociologists, respectively Leonard Hobhouse and Max Weber, whose political stance were also center-left. In *Liberalism*, Leonard Hobhouse (1911) denied that competition was bound to degenerate into monopoly, claiming that in the British case, free trade had limited cartelization, thus belying Karl Marx' somber prediction. As for Max Weber, while acknowledging that concentration could increase productive efficiency, he was critical of price-fixing and production quotas by German cartels, which he deemed 'economically conservative' (Roth 2006).

<u>Left-leaning economists versus left-leaning opinion and members of parliament: ideas versus interests</u>

The skepticism of the abovementioned "solidarist" economists, or the sociologists-economists (who belonged to overlapping academic, social and political circles, see Topalov 1999) regarding anti-cartel legislation is at odds with the anti-cartel opinions expressed by a large fraction of public opinion and, in particular, left-wing members of parliament. As mentioned above, the topic of cartel abuses was repeatedly addressed in parliament in the last years of the nineteenth century. In 1924, when the *Chambre des* *députés* discussed the proposed reform of Article 419, the votes against the loosening of its anti-cartel provisions came mostly from its communist and socialist members.[34] A few years later, the loudest voices against the output restrictions that could result from "rationalization" came from the communist-dominated trade union CGTU, which warned that "capitalist rationalization" would raise prices and cause unemployment, and it accused the more moderate CGT of colluding with business against worker interests (*La Vie syndicale*, 1927).

This contrast points to a conflict between interests and ideas. Many contemporary observers considered cartels to be harmful to consumers – in particular, those who derived income only from labor and not from a share of firms' profits. This made the repression of cartels a worker-friendly policy and this explains why support for the repression of cartels came mostly from the left. On the other hand, endorsing the repression of cartels implied an acknowledgement of the merits of market competition, which was in direct contradiction with the views of most left-leaning economists as we have seen above – and more generally, with the views of left-leaning intellectuals. This principled opposition to market competition was a reaction to the way French liberal economists had since the 1840s invoked the virtues of competition in order to defend the existing social order and to oppose all progressive fiscal and labor policies, however cautious – in contrast to English-speaking economists like John Stuart Mill or Henry George, who had simultaneously extolled competition and advocated relatively egalitarian fiscal policies.

Industry experts in defence of cartels in the name of modernization

The last important group of economists we need to mention is the so-called industry experts, who were active in the debates about cartels and industrial policy more generally. These authors were for the most part business leaders who wrote books and articles on the side, journalists or "public intellectuals" who had been hired by industrial associations to work as lobbyists.

[34] See the detailed analysis of the March 14, 1924 vote in Paxton (1977:29).

Owing to the uncertain status of economics, which was not considered a distinct academic field, frontiers were porous between positions in business, government, and academia (in particular in the Grandes écoles, which had a more practical orientation than universities). The men considered the best specialists of industrial economics in France in the first decades of the twentieth century, who were consulted by various governments, had careers straddling these three spheres. They found themselves at the center of joint efforts by certain business leaders, government officials, and politicians to modernize French industry through a mix of mergers, interfirm cooperation and government intervention (see Kuisel 1981).

Paul de Rousiers (1857-1934) was considered the best-informed specialist on cartels in France. A polygraph who made a living as the secretary-general of the shipbuilders' association and who wrote on subjects ranging from the British working class, to French havens, elites in modern societies and modern American civilization, he authored several articles and books on cartels: *Les industries monopolisées (Trusts) aux États-Unis* (1898); *Les Syndicats industriels de producteurs en France et à l'étranger (trust – cartells – comptoirs – ententes internationals)* in 1901, with several subsequent editions; as well as a report on cartels for the committee preparing the 1927 International Economic Conference of the League of Nations, to which he was appointed as an expert. Even though these writings span almost three decades, they express an unchanging view, namely that the market stabilization made possible by French cartels was beneficial to all and could never lead to abuses similar to those of American trusts.[35]

Another businessman considered among the best experts on cartels was Henri de Peyerimhoff (1871-1953), whose career alternated between being an administrative judge, a high official at the ministry of agriculture and one of the leaders of the coalmines association, the *Comité central des houillères de France*. He was also the vice-president of the *Conseil national économique*, a government-sponsored council that included labor and business representatives, after its creation in 1925.[36] He was appointed to the French delegation at the 1927 International Economic Conference,

[35] For a monography on Paul de Rousiers, see Savoye (1988).
[36] On Peyerimhoff, see Chatriot (2005) 2013.

where he defended cartels, which according to him should be free from government oversight, a position he defended again in a 1929 article.

The 1927 conference led to no tangible decisions except the creation of a committee tasked with the study of cartels, the International Industrial Cartel Committee (CEII). One of its members was the industrialist Louis Marlio (1878-1952) who after a few years in government, became a business leader in the aluminium and electricity industries (he ended up being chairman of the aluminum company Péchiney), one of the leaders of *Redressement français*, an organization promoting the modernization and concentration of French industry; while at the same time being a professor of economics at the Ecole nationale des Ponts et Chaussées and the Ecole libre des sciences politiques (Morsel 1893). Unsurprisingly, Louis Marlio's report on the global aluminium cartel (to which his firm, Pechiney, was a participant) for the CEII was not particularly alarming, no more than an article on the same topic that he published in *La Revue de Paris* (Marlio 1930).[37]

The difference between French and British economists' views of cartels

In the aftermath of World War I, in both France and the UK, political and business elites shared a similar concern, that is, the fear that in many sectors their industry was lagging behind that of Germany and the United States, where increased concentration had made producers more efficient. In both countries, interfirm cooperation and mergers were seen as possible solutions and support for government-supported rationalization was widespread.

However, as seen above, economists' stance towards cartels was markedly different in both countries, with British liberal economists such as Marshall acknowledging cartels' possible abuses and the usefulness of some government oversight in order to protect the competitive process, unlike French liberal economists or economists of any other stripe. The International Economic Conference held in 1927 under the auspices of the League of Nations, is instructive in this respect.

[37] On the aluminium cartel, see Bertilorenzi 2015.

Economic experts' assessment of global cartels at the International Economic Conference (1927)

The conference was meant to explore ways to increase international economic cooperation and in particular revive international trade, in line with the more general mission of the League of Nations. The French politician and former industrialist Louis Loucheur, who was the driving force behind the organization of the conference, had proposed to include international cartels among the topics to be discussed because he considered that international cartels would make free trade less destabilizing and could decrease the appeal of protectionism (Barjot 2013).[38]

Over the course of the conference, a group of countries led by France advocated the creation of an international framework to encourage and give a legal status to international cartels, a position that the British delegation opposed (Hantos 1930: 153-162; Bussière 1992, 1994; Hara 1994; Berger, 2006; Bertilorenzi 2016). Among the economic experts who were asked to submit preliminary studies on the subjects, Paul de Rousiers wrote a markedly pro-cartel report, unlike the British economist David MacGregor, the Oxford professor (and former student of Marshall) who was considered Britain's foremost industrial economist. MacGregor's report (MacGregor 1927a) acknowledged that interfirm cooperation and concentration might be desirable in some circumstances. But he was adamant that the threat of abuse should be kept in check by the competitive pressure brought about by free trade, and he disapproved of international cartels because they would weaken this source of outside competitive pressure, just like tariffs would (see also MacGregor 1927b).

According to a book published in Paris in 1928, MacGregor's skepticism could easily be explained by the fact that "he [was] an Englishman, and, like every Briton, he [had] 1) an instinctive distrust of anything that goes against the English individualist tradition, and 2) a repulsion towards any overly precise international commitment" (Palivachi 1928:376). However, a comparison of the status and contents of economic expertise in both countries better accounts than "national character" for the difference between the French and British delegation.

[38] Louis Loucheur had succeeded the abovementioned Albert Thomas at the Ministry of Armament.

In both countries, the majority of business leaders and of labor representatives were favorable to cartels, even though they differed on who should control them – with unions demanding some oversight by governments or worker representatives. Alfred Mond, the chairman of one of the UK's largest corporations, Imperial Chemical Industries, advocated the development of international cartels in his work as an expert for the conference, and in one of his pro-cartel speeches he ridiculed the reluctance of economists such as MacGregor who "still held the antiquated idea that business men sat solemnly round a table with a view to shoving up prices" (Mond 1927). Arthur Pugh, the union leader who was one of the members of the British delegation, was also favorable to cartels if they were to be subjected to government and union oversight. These stances were similar to those expressed by business and union representatives in other delegations, including the French one.

The main contrast between both countries regarding the 1927 conference has to do with the nature of the economic expertise they provided: one of the British experts was MacGregor, and one of the five members of the British delegation was Arthur Layton, the editor of *The Economist* and a former student of Marshall who, while favorable to industrial rationalization, was skeptical of cartels (see e.g. his 1927 article on the forthcoming international conference). On the French side, one of the economic experts was the abovementioned pro-cartel Paul de Rousiers[39], and, among the members of the delegation who were involved in the discussion of international cartels, only the abovementioned Peyerimhoff could claim some expertise on industrial economics.[40]

In other words, the British experts were academically trained (in the dominant Marshallian mould) and were independent of business interests, whereas the French experts were, above all, representatives of large industrial firms. One cannot but establish a link between this difference and the fact that the stance taken by British

[39] The other French expert was William Oualid, a law professor whose report cannot be described as clearly pro- or anti-cartel.
[40] The other members of the French delegation were the head of the largest worker union, a representative of an agricultural association, and Daniel Serruys, a liberal-leaning economic expert then working for the Ministry of Commerce. Serruys was involved in the discussions on tariffs but not in those on international cartels.

economic experts on global cartels, but not by the French experts, was at odds with the demands of business representatives.

Economists, competition and rationalization in France and in the UK

Characterizing British economists or policymakers in the first decades of the twentieth century as uniformly staunch defenders of competition against cartels and monopolies would be plainly wrong. On the left, starting around 1900, the Fabian economists departed from John Stuart Mill's promotion of competitive markets combined with redistributive taxation (and idea that had been made even more popular, globally, by Henry George's land tax movement). They considered that trusts "heralded the new Socialist Age" and they touted "guild socialism" (Mercer 1995). After World War I, even the Liberal Party departed from its economic orthodoxy. When it launched an industrial inquiry in 1927, it entrusted the section on "the organisation of business" to Keynes, who, in his contribution to the party's book entitled *Britain's Industrial Future* (1928), charted a future characterized by a corporatist management of industry, with cartels achieving coordination and rationalization under the aegis of government.

Moving from ideas to policies, it is in the UK, not in France, that governments actively supported widespread cartelization: starting at the end of the 1920s, the British government supervised rationalization and cartelization in many sectors including shipbuilding, coal, textile, steel, sugar and liner shipping (Mercer 1995).

No such policies were attempted in France till the Great depression. Even then, attempts in that direction were for the most part unsuccessful. A draft law making cartelization mandatory if a majority of firms in any industrial sector wanted it (the "Flandin-Marchandeau law") ultimately failed in parliament (in 1935), largely as a result of disagreements regarding the extent of government oversight (Chatriot 2007:13-16, see also Denord 2008), and also because of the general difficulty in having laws passed in both chambers of parliament in a time of political instability.

Conclusion

A focus on the experience of the 1930s in the UK and in France might suggest that economists' ideas are too volatile, or too irrelevant to policy, to really matter. The almost total lack of support among French economists for anti-cartel policies, and their widespread support for interfirm cooperation, did not translate into systematic government-sponsored cartelization in the 1930s, whereas the inverse configuration prevailed in the UK. One might be tempted to conclude that economists' views changed so thoroughly at the end of the 1920s in the UK that the Marshallians' previous skepticism was superseded by different ideas, or more simply that economists' discourse on these subjects had little influence on policy.

However, considering the longer run, such a conclusion must be qualified. In the late 1930s, after government-sponsored cartelization in the UK was found to have a more positive impact on profits than on productivity (Broadberry and Crafts, 1992; Crafts, 2013) and Keynes' *General Theory* shifted the policy debate to macroeconomics , many British economists returned to a more positive appraisal of competitive markets and pro-competition policies: Keynes himself, in the famous last chapter of the *General Theory*, but also the younger generation of socialist economists at the New Fabian Research Bureau who went on to have influence on policy after World War II (Durbin, 1985). While the post-World War II Labour party cannot be described as pro-market, these economists had some impact on the policies it followed when in power, from the limitation of the scope of nationalizations to natural monopolies (plus coal and steel) in the 1940s (Milward 1997) to an anti-cartel law in 1948, support for the strengthening of anti-cartel policy in 1956 (under a conservative government) and a merger control law in 1965, the second in the world after the American Clayton Act (Mercer 1995:92-94, 140-141). Although identifying intellectual genealogies is complex, the Marshallian view of competition probably played a role: even if it seemed to be sidelined by the late 1920s, it was later incorporated (and complemented with the nascent theories of oligopolistic competition), together with Keynes' ideas, in the neoclassical synthesis, which was first formulated in the late 1930s and then formed the basis for the teaching of economics in the English-speaking world.

In contrast, France remained, for most of the post-World War II decades and until now, the European country most consistently reluctant towards competition policy, save for a few exceptional episodes.[41] Shortly after the creation of the European Community, the French government, supported by the Italian one, attempted to prevent the anti-cartel clauses of the Treaty of Rome from being implemented too forcefully (that is, by the European Commission, with little room for influence by national governments), finally failing in the face of the opposition of Germany and Benelux countries (Warlouzet 2006, 2008). Later on, successive French governments insisted that agriculture be largely exempted from competition rules and they blocked (till 1989) the creation of a European merger control mechanism. France has been permanently, for decades, irrespective of which party was in power, the country pushing most strongly in favor of relaxing competition rules in the name of industrial policy or public services.

The history of the debates on competition policy in France throughout the twentieth century falls outside of the scope of this article. However, considering the permanence of the French reluctance – in spite of far-ranging political and economic changes over the seven decades since the beginnings of European economic integration -, one can hypothesize that the intellectual configuration underlying the rejection of competition-promoting policies by almost all French economists in the decades leading up to the Great Depression had a long-lasting influence.

[41] The main exception concerns the origin of European competition policy: the French government wanted a competition provision to be included in the treaty creating the European Community of Coal and Steel (1951) out of fear that German steel producers might benefit from an unfair advantage through preferential access to cheaper German coal. These provisions were the basis for the competition articles in the Treaty of Rome.

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